



STATE OF ARIZONA
DIVISION OF EMERGENCY
MANAGEMENT



RECOVERY SECTION

STANDARD OPERATING PROCEDURES

PUBLIC ASSISTANCE PROGRAM

SECTION 16

AUDIT PROCESS

Rev 5/08



**STATE OF ARIZONA
DIVISION OF EMERGENCY MANAGEMENT
PUBLIC ASSISTANCE PROGRAM**



STANDARD OPERATING PROCEDURES

AUDIT PROCESS

I. OVERVIEW

In accordance with the Arizona Administrative Code 8, Chapter 2, Article 3, Section 316 (R8-2-316): "... After completion of the final inspection, the Department's chief auditor shall conduct an audit of the applicant's claims. The Director shall use this audit to determine the allowability of claimed costs and final payment due to the applicant or overpayment due to the division." If the projects completed are associated with a federal declaration, the auditor will also determine compliance as defined by FEMA in Title 44 of the Code of Federal Regulations (CFR), Sections 206.200 & 206.228 (44CFR§206.200 & 44CFR§206.228).

Public Assistance Program grant recipients (State, local governments, non-profit organizations, universities, hospitals, and Indian Tribes) are required to comply with the provisions set forth under the Single Audit Act Amendments of 1996. The Act requires grant recipients expending \$300,000 or more in Federal funds in a fiscal year to perform a single audit.

Even though a single audit must be performed, grant recipients are also subject to audits by the FEMA Office of Inspector General and State auditors for items not covered by the Single Audit. Specific documentation and procedures are based on the requirements of the Federal Office of Management and Budget (OMB). The OMB requires grant recipients to maintain financial and program records for three (3) years following submittal of the final expenditure report.

Applicants will be informed of audit requirements during the Applicants' Briefing. Any questions after the briefing regarding the Single Audit, or audits in general should be directed to the appropriate State official.

The State of Arizona requires applicants to maintain records and documentation for five (5) years after the termination of emergency by the Governor.

II. FILE READY FOR AUDIT

- Upon completion of the Final Inspection Report (FIR) including all necessary signatures, verification is made that an Applicant Agent has been established, all agreements have been received and have proper signatures.
- All FIR's have been completed for each project worksheet including the applicant representative's signature, public assistance coordinator and state reviewer.
- Verify that financial information in the applicant file is correct to include:
 - Certificate of Availability signed by program manager;
 - Reimbursement request from applicant with appropriate signatures;
 - Copies of claim from DEMA/ADEM finance department;
 - Copy of warrant verifying payment was made to applicant.
- Copies are made of the entire applicant file and sent to the department auditor with an engagement letter or memo stating the date the file was sent to audit, declaration name, applicant name, and eligible amount.

III. AUDIT PROCESS OUTLINE

After the applicant file is received by the DEMA Audit staff, they review the information, establish an applicant audit file, contact the applicant and schedule a site visit to perform the required audit of the applicant's documented costs. The outline the auditor follows is broken down into categories.

FORCE LABOR:

- Data may be recorded on a "Force Account Labor Record" form, supported by employee time cards or other documents recording date and hours worked.
- Payroll information is verified from the following information:
 1. Hourly rate of pay (reg. & O/T)
 2. Applicable O/T policy
 3. Hours worked
 4. Payment
 5. Title or position
- Information is usually obtained from a Payroll Distribution Report which also shows employee deductions. The deductions will be compared to company paid benefits (group health, etc).
- All applicable and eligible company expenses are verified:
 1. FICA
 2. State Unemployment

3. Federal Unemployment
 4. Workers Compensation
 5. Retirement
 6. Medical and Dental
 7. Life insurance
- Information is verified by reviewing actual invoices and payments showing the expense for each employee or category. In some cases, the applicant may include a percentage based upon company paid vacations, holidays and sick days. Applicable company policies will be reviewed and calculations verified.

EQUIPMENT (APPLICANT OWNED)

- Data may be recorded on a "Force Account Equipment Record" form.
 1. Hourly rates are checked with the published approved FEMA rate schedule or the local guidelines established by the applicant and approved by FEMA.
 2. Equipment hours are correlated with force labor (operator) hours. (Equipment hours can not exceed operator hours)
- If the type of equipment used is not on FEMA's list, do a comparative analysis using local rental rates or manufacturers suggested rates or a combination.

EQUIPMENT (RENTED)

- Data may be recorded on a "Rented Equipment. Record" form.
- The following items will be reviewed:
 1. Rental agreements for exclusions and inclusion such as cost for operator, fuel, maintenance, etc. Applicable documents should be included to cover any additional costs such as fuel receipts, etc.
 2. Copy of invoice and proof of payment.
- If Force Labor was used see #2 under applicant owned. If from another Public Agency, #1 under applicant owned would apply.

MATERIALS (PURCHASED)

- Data may be recorded on a "Material Record" form.
 1. A copy of invoices with supporting documents including description, quantity, unit price and location of usage.
 2. Proof of payment.

MATERIAL (FROM STOCK)

- Data may be recorded on a "Material Record" form.
 1. A copy of invoices replacing stock or a copy of invoices that would support the original purchase.
 2. Proof of payment is needed for both.

CONTRACTS

- Data may be recorded on a "Contract Work Record" form.
- To verify completion of contract work, the following items are reviewed:
 1. The bidding process based on the State Procurement Procedure:

> to \$1,000	No bid required
> \$1,000 to \$10,000	3 oral or 3 written bids
> \$10,000 to \$25,000	3 written bids
> Over \$25,000	Formal bid procedures which include advertising, recording bids received and a contract.
 2. Copy of invoice cross-referenced to the contract.
 3. Proof of payment.

NOTES:

- Emergency bidding procedures may apply to emergency categories A and B.
- Cost-plus-percentage of cost (CPPC) contracts are ineligible.
- Contingency clauses based on reimbursement are ineligible.
- Salvage value (reusable material) should be identified.
- Insurance or Risk Management recoveries should be identified.

IV. AUDIT REPORT

Once the auditor has reviewed all of the applicant's documentation, they provide the Director an Internal Auditor's Report on Eligibility of Program Costs. Once this report is received by the Recovery Office, it is reviewed by the Public Assistance Program Manager as well as the Finance Specialist. Final payment is then processed and the applicant's file is closed for that declared event.

PIMA COUNTY

PCA 26005

DISASTER ASSISTANCE

PROGRAM COMPLIANCE

AUDIT

PIMA COUNTY
PCA 26005
DISASTER ASSISTANCE
PROGRAM COMPLIANCE AUDIT
TABLE OF CONTENTS

	PAGE
INTERNAL AUDITOR'S REPORT ON ELIGIBILITY OF PROGRAM COSTS	1
SCHEDULE 1	2
SCHEDULE 1A	3



JANET NAPOLITANO
GOVERNOR

STATE OF ARIZONA
Department of Emergency And Military Affairs
5636 EAST McDOWELL ROAD
PHOENIX, ARIZONA 85008-3495
(602) 267-2700 DSN: 853-2700



THE ADJUTANT GENERAL
MAJOR GENERAL DAVID P. RATA CZAK
DIRECTOR

June 7, 2007

DEPARTMENT INTERNAL AUDIT REPORT

Pima County

GOVERNOR'S PROCLAMATION OF

September 16, 2005 – PCA # 26005

Mr. Lou Trammell, Deputy Director
Arizona Division of Emergency Management
Phoenix, Arizona 85008

Dear Mr. Trammell:

We conducted a final audit of the above applicant's application for public assistance for the period August 14, 2005 through February 8, 2006.

This was not a single audit contemplated in 31 U.S.C. 7501-7, but rather an integral part of the Division's program review process according to 44 CFR 206.200 – 206.228, the Robert T. Stafford Disaster Relief and Emergency Assistance Act and the Arizona Administrative Code, Title 8, Chapter 2, Article 3, R8-2-38-39.

The audit was conducted in accordance with generally accepted government auditing standards for performance audits. Our objective was to determine the propriety and eligibility of costs claimed by the applicant. To achieve our objective we examined necessary documents, records, claims and materials supporting the application for the disaster assistance; including final inspection reports. We examined other records and performed other audit tests and procedures to the extent necessary to achieve our objective.

Accordingly, except as noted in the enclosed schedules, we have concluded that the project costs of the above applicant are eligible as claimed.

Sincerely,

Andrew Allen
Department Chief Auditor

SCHEDULE I
SUMMARY OF PROJECT COSTS
STATE EMERGENCY PCA # 26005
PIMA COUNTY
GOVERNOR'S EMERGENCY PROCLAMATION OF
16-Sep-05

CAT.	PW #	PW ESTIMATED COST	APPLICANT CLAIMED COST	FIR ELIGIBLE COST	AUDIT FINDINGS OVER (UNDER) FIR	REF.	AUDIT ELIGIBLE COST
B	265007	2,337.63	2,337.63	2,337.63	0.00		2,337.63
A	265008	8,080.31	8,080.31	8,080.31	0.00		8,080.31
B	265001	21,466.51	21,586.21	21,586.21	0.00		21,586.21
A	265002	147,469.24	147,469.24	147,469.24	(7,874.14)		139,595.10
D	265003	10,872.13	11,926.23	11,926.23	0.00		11,926.23
C	265004	13,675.52	13,675.52	13,675.52	0.00		13,675.52
TOTALS		203,901.34	205,075.14	205,075.14	0.00		197,201.00
Total Audit Review Findings							197,201.00
Less applicant share 25%							49,300.25
Balance State share 75%							147,900.75
Less State advances							-
Balance due Pima County							147,900.75

SCHEDULE 1A
SUMMARY OF PROJECT COSTS
STATE EMERGENCY PCA # 26005
PIMA COUNTY
GOVERNOR'S EMERGENCY PROCLAMATION OF
16-Sep-05

PW

265002	LABOR	(1,877.63)
	EQUIP	(6,032.00)
	CONTRACT	35.48

TOTAL		<u>(7,874.15)</u>
-------	--	-------------------